



FINANCIAL AFFAIRS COMMITTEE

June 22, 2023

The Financial Affairs Committee met on June 22, 2023, at the Memorial Union Building at UNH in Durham NH.

Financial Affairs Committee members participating at the meeting location: Mike Pilot (FAC Chair), Kass Ardinger, Jamie Burnett, George Hansel, Kevin Knarr, Peter Paul, Greg Tewksbury, and Committee members participating by video conference George Hansel and Morgan Rutman; Other trustees participating at the meeting location: Alex Walker, Rick Ladd, Zachary Christie, Cathy Green, Shawn Jasper, Patrick Griffin; Christina Thornton, McKenzie Murphy, Joel Nkounkou, David Westover; President Donald Birx, President James Dean, and President Melinda Treadwell; USSB members: Eric Carter, Emily Coutermarsh, Dominic Lynch and Tom Lynch

Staff present at meeting location, (UNH) Wayne Jones:(KSC) Nathalie Houder, James Beeby; (PSU) Nathaniel Bowditch and Tracy Claybaugh; (USNH) Catherine Provencher, Chad Pimentel, Karen Benincasa, Tia Miller, and Lorna Jacobsen (scribe).

Additional Faculty, Staff, and students participated by video conference.

I. Call to Order:

At 2:30 pm Chairman Pilot called the meeting to order and reviewed the items on the agenda.

II. Approve Consent Agenda (Moved and duly seconded)

MOVED, that the consent agenda of the April 20, 2023, meeting of the Financial Affairs Committee be approved.

{The Committees voted unanimously, by roll call vote, in favor of this motions}

Items on the Consent Agenda:

- 1) Approve minutes of the Financial Affairs Committee meeting of April 20, 2023.

End of Consent Agenda

III. Update on Bond Issue

Vice Chancellor Provencher reported on the results of the recent bond issue which included \$28

million of new money for Hetzel Hall and \$100 million to refund the variable rate debt. She said bonds were priced on May 24, 2023, in a very challenging market. The combined new money and refunding All-In Total Interest Cost (TIC) is 3.75%. The cost for the Hetzel portion is 4.51% (less than projected TIC of 4.75% when project was approved by the BOT), and the Refunding portion TIC is 3.29%. Committee members expressed appreciation for the good results in a very difficult market and said there is value in de-risking the debt portfolio.

III. Review and Approve FY24 Operating and Capital Budgets including Strategic Investments

A. Systemwide Overview - FY24 Budget

VOTED, on recommendation of the Chief Administrative Officer and the Presidents' Council, that the following motion be presented for consideration to the Board of Trustees:

MOVED, on recommendation of the Financial Affairs Committee, that the Board of Trustees, approve operating budgets and capital budgets, for the University System applicable to the fiscal year beginning July 1, 2023, and ending June 30, 2024 (FY24) as presented in the attachments; **AND FURTHER** delegate authority to the Chief Administrative Officer, in consultation with the Presidents' Council and the Chair of the FAC, to approve adjustments to the FY24 budget as presented to reflect the final State budget (operating and capital) approved for FY24; **AND** further delegate authority to the Chief Administrative Officer to make any further necessary adjustments to comply with generally accepted accounting principles prescribed by the Governmental Accounting Standards Board (GASB) for FY24.

{The Committee voted unanimously by roll call vote in favor of this motion}

Vice Chancellor Provencher provided an overview of the systemwide FY24 operating and capital budget. She reviewed variances to FY24 Budget Assumptions and Parameters approved by the Board of Trustees in October 2022 including an increase in short term investment income and a higher than assumed state appropriation. She said it is a challenging budget and discussed risks, opportunities and key observations. She said liquidations from the USNH endowment pool are not expected to be needed for FY 24 budget.

Campus CFOs and UNH Provost Jones provided insight on their respective campus budgets. CFOs and Provost Jones answered questions from trustees on components of the budget and were asked to assess the risk associated with the budget.

UNH Provost Jones reported that Vice President Marcel Vernon had resigned from UNH and taken another position. He said there will be a search for a replacement and in the short term he and Vice Chancellor Provencher, with the support of the UNH Finance Directors, would be managing

the UNH Finances and were looking for some short-term assistance from a pool of retired Higher Ed CFOs.

Two requests were made by the Committee for future follow-up. The first was regarding employee compensation and headcount with a request to demonstrate the headcount prior to the CERP and quantify what that would look like today if the CERP had not taken place, what the goals of the CERP were and whether those goals were met. The second request was for the Presidents' Council to determine what an appropriate operating margin is going forward, as there was agreement that a 1% margin is not sustainable.

IV. 10 Year Outlook and Directional Model

Chairman Pilot said the model that is being presented has been discussed for some time and represents a long-term directional view of the System financial position if nothing is changed (status quo for 10 years). He stressed the importance and urgency of this work.

Vice Chancellor Provencher prefaced her overview of the model by reviewing the assumptions approved by the presidents, provosts and CFOs and saying that the model is based on FY24 budget, includes the strategic investments both returns and investment expense as provided by the campuses when approved by the Board, and goes out for 10 years. She reviewed the projected operating margin in the near term and at the end of the 10-year period. The model predicts different operating margin results by campus with UNH projected to improve over the 10-year period while PSU and KSC are projected to decline at different rates, KSC with the greatest decline. Significant financial consequences are predicted if nothing different is done including depletion of cash and short-term investments by FY33.

Committee members discussed this model and raised questions about whether strategic investments were being made in the right places given the limited available capital to invest, discussed competition with other institutions in the same position, and discussed the master planning process and its potential to clarify space needs and reduce costs.

Trustee Walker said that while the actual experience will be different than the model, the directional trend demonstrates the urgency of the situation.

President Dean said that he appreciates the analysis and the Presidents' Council will meet and work to develop a strategy to present to the BOT in September and if there is not agreement, will reach out to the BOT. External assistance may be required at that time.

Given that the model could be impacted in either a positive way or a negative way, several Trustees suggested developing multiple options to consider ranging in the level of change needed.

V. Approve Sale of 25 Hall Street

VOTED, on recommendation of the UNH President, that the Financial Affairs Committee approve for sale the land and building including all furnishings, fixtures and equipment located at 25 Hall Street in Concord, NH, to the State of New Hampshire for the sale price of \$6.75 million **AND FURTHER**, that the proceeds from the sale be deposited in the UNH Operating Reserves.

{The Committee voted unanimously in favor of this motion}

Vice Chancellor Provencher reviewed background and details of the proposed sale of the property located at 25 Hall Street in Concord, formerly home to Granite State College.

VI. Legislative Update

Reviewed FY24/25 budget outcome during budget discussion

VII. Other Business

- A. Chair or Committee Comments
- B. The next meeting date is October 19, 2023.
- C. The Committee adjourned at 4:30 p.m.